

## **The Royal Beach Camp**

Values vs Profit - when tough decisions need to be made

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# The Royal Beach Camp

Teaching case by Xenia Brundin and Christine Revsbech Jensen

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# Values vs. profit: When tough decisions need to be made

## The Story

After 16 years of guiding extreme adventures around the world, breaking records in white water kayaking and leading teams like the National Geographic and British Army through challenging expeditions, Ram Silwal decided to return to the rural community where he grew up in Nepal and share his skills and experience with local youth.

*The Royal Beach Camp*, starting as a simple kayak club with a shelter and three kayaks on a beach, was Ram's way of providing a platform for others to gain a career in the growing river tourism industry. In the beginning he was successful in fulfilling this goal, and after graduating, his students started working both in Nepal and abroad, but the club was financially devastating for Ram forcing him to work abroad in the low season only to return and find the club in debt.

A solution came after the "*Source to Sea expedition*", the first expedition to paddle the river from the base of Mount Everest to the Bay of Bengal in an effort to promote river conservation and adventure tourism. Media from all around the world covered the expedition, and Ram's name quickly spread - suddenly people wanted to "paddle with Ram Dai"<sup>1</sup>. What had started as a kayaking club now developed into a business teaching guests how to kayak and running rafting trips as well as river expeditions. The shelter and three kayaks slowly grew into a lush campsite with a pool, bamboo huts, and a beach café. Despite its growth, the core purpose of teaching and building platforms for youths to enter the outdoor industry continued and developed alongside the growing commercial business.

To date over 200 Nepali youths have started their career in the outdoors through the *The Royal Beach Camp*. The former students are now working in 15 different countries all over the world. The profits from the commercial business goes into RBC's apprenticeship education, which provides free education, food and accommodation as well as a small salary for the students, and into local community - and environmental projects.

The company became the biggest in central Nepal, and in 2015-16, and again in 2016-17, it reached 14,000 visitors per year. Though a sign of success, this was also a critical point for the company as the quantity of guests started to negatively affect the quality of its purposes – educating Nepali youth & contributing to sustainable development.

The increasing conflict between profit and the purpose meant some difficult decisions needed to be made, leading to a long period of tough discussions amongst the management team. It was finally decided in spring 2018 that RBC would be completely free of alcohol, drugs and smoking. This action meant potentially losing 95 % of the local market (85% of the overall business) and shocked much of the river industry as well as the larger community.

A year later, RBC has lost 80% of the visitor numbers but only around 50% of its revenue and the changes are seen as a great opportunity to emphasize the company's purposes, to redefine the commercial side of the business with a focus on educational programs and in the process strengthen its core values throughout the organization.

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<sup>1</sup> Meaning: "Big brother", an affectionate term used in Nepali language

# Problem definition

*“The company had become the biggest in the valley, in 2015-16, and again in 2016-17 reaching 14,000 visitors per year.”*

At first, this may look like success, but numbers can easily be mistaken for value. There will always be a point when the quantity gets so large that the quality comes at risk, but more importantly in this case the volume of guests and the type of service they required impacted negatively on the company's values and purposes (see Appendix A).

## Traditional Business

A traditional business is primarily focused on making profit; there are two questions to be asked:

- Am I ready to lower my standards to keep and grow the visitor numbers?
- Alternatively, do I make investments to uphold my standards, including raising the price, and risk losing the visitor numbers?

## Social / Green Business

In a social or green business the focus is not on making the most profit, therefore other concerns are added and prioritized:

- What impact, negative and positive, are the visitor numbers having on the company's purpose? A sustainability (“people, planet, progress”<sup>2</sup>) assessment was done.
- Is quantity or quality most beneficial to meeting the company's purpose and values?

## Strategy

During the period of tough discussions amongst the management team, the 80/20-rule<sup>3</sup> was used as a base to develop a strategy to grow and strengthen the company's purposes while regaining financial viability. This led to:

**“The Royal Beach Camp – eco-adventure camp & educational center in the Himalayas”**

## EDUCATIONAL CENTRE – the purpose

- Continue to develop apprenticeship education and add higher-level education for the Nepali students to become instructors and/or mountain guides.

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<sup>2</sup> An internal assessment used by the company, similar to the Tipple Bottom Line assessment, except *Profit* in the latter is replaced by *Progress* in the former. This is done to evaluate how the company contributes to general progress or development in its communities. It evaluates financial contribution *but also* contribution to community spirit, in sharing knowledge etc.

<sup>3</sup> Also known as “The Pareto Principle”: Eighty percent of what we do is pretty much pointless. Twenty percent of our efforts yield 80% of the results. The Pareto Principle is the idea that 80% of our output comes from 20% of our efforts. It's a measure of where we can devote our efforts so as to increase our productivity and performance ([www.interaction-design.org](http://www.interaction-design.org), April 1st 2019)

- Open up to other types of apprenticeship educations, such as *Food & Service, Gardening, and Hospitality*.
- Developing courses and educations together with colleges and universities around the world, in new fields, such as sustainability, regenerative agriculture etc.
- Enable the site to become a test bed and learning ground for grass root sustainable solutions (recycling, ecosystem restoration, sustainable building techniques, water management etc) by bridging the international and local community.

## **ECO-ADVENTURE CAMP – the commercial business.**

- Develop new and existing products and markets that are in line with RBC's values. These products should support their purpose financially and the operation itself should strengthen the overall purpose of being also social and green. For example through:
  - Leadership camps, expeditions and team building for schools and colleges in Nepal
  - Open workshops and courses for RBC's own students as well as external guides to gain international awards or certifications
  - Develop RBC's own unique expeditions and adventure travel to Nepal in close cooperation with partners

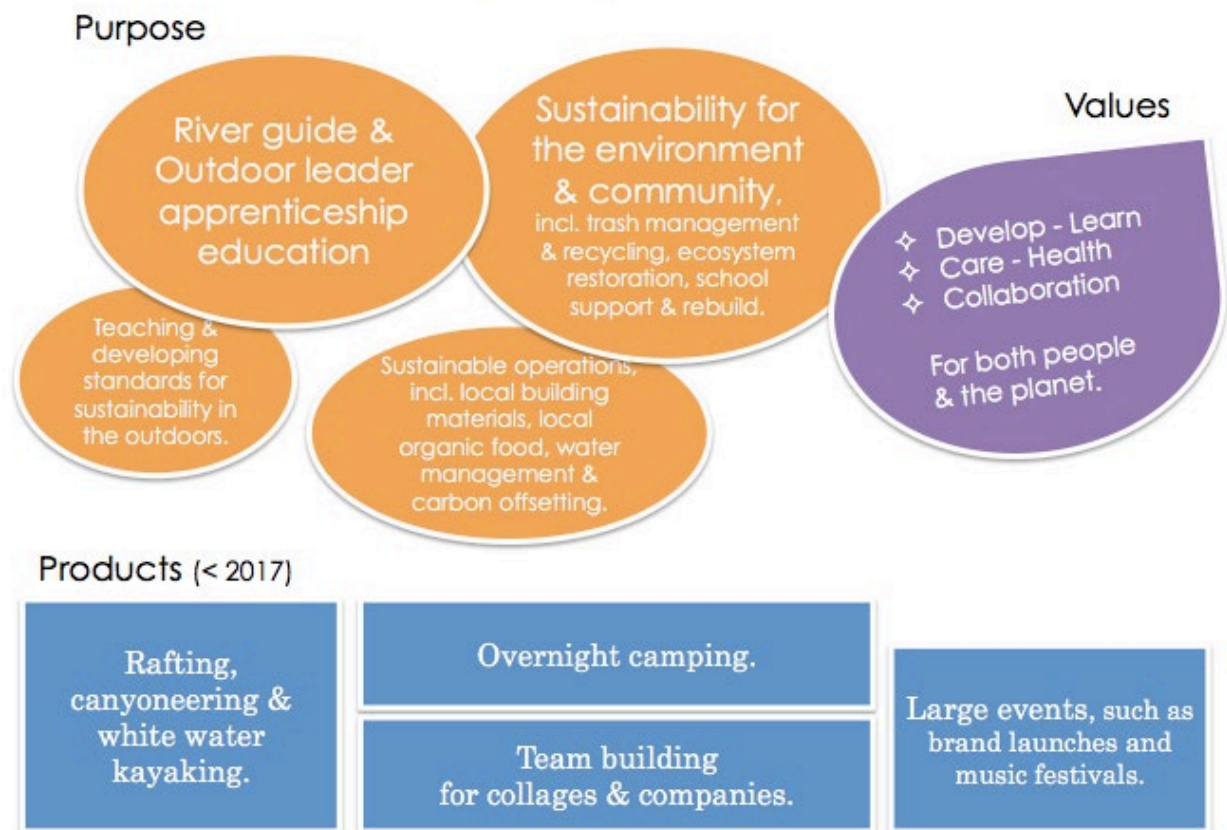
## **Questions**

*Kill the business to stay true to social and green values?*

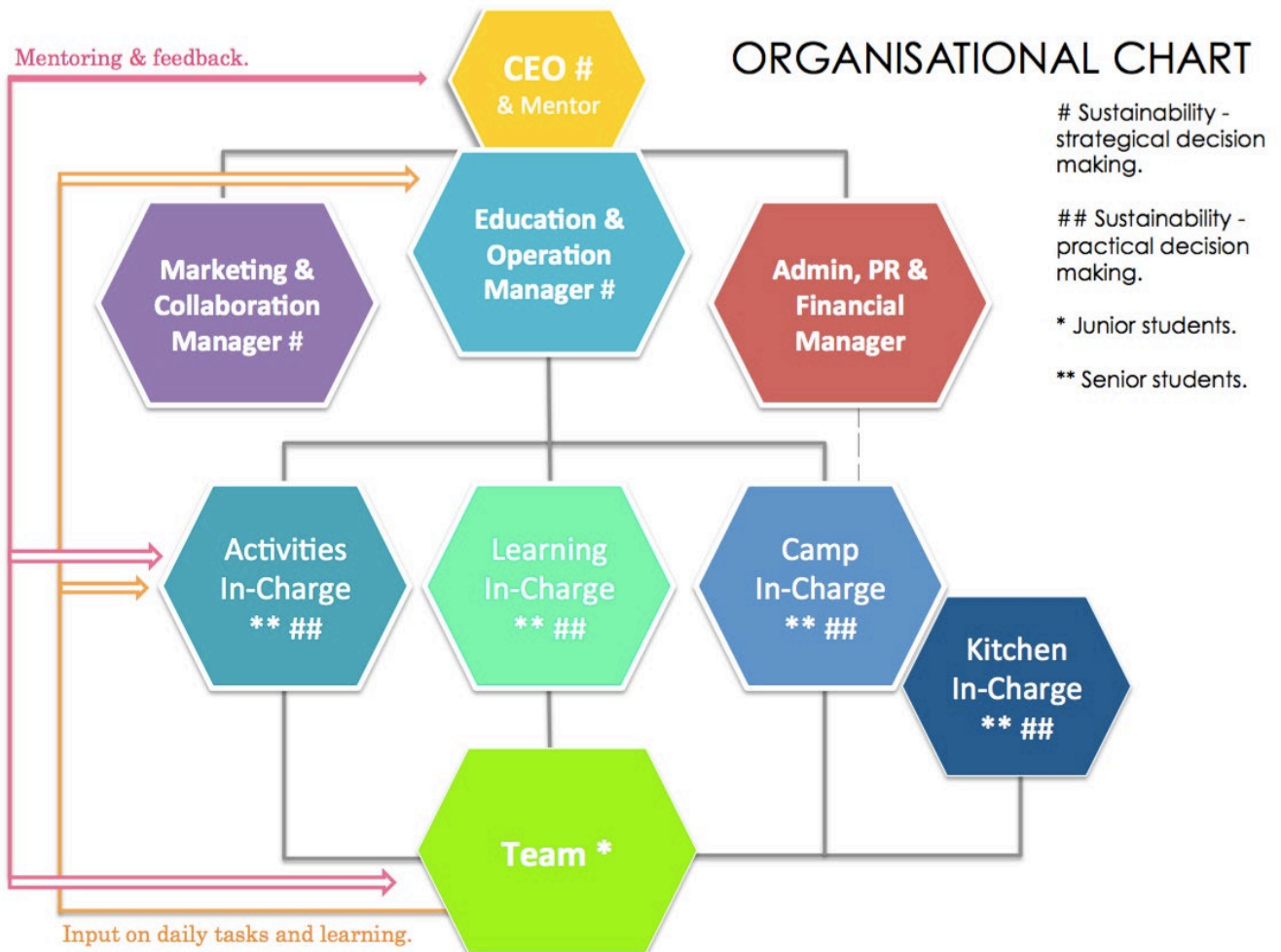
- What are the risks and benefits? I.e. its social, ecological & economic impact.
- How do RBC create external support for such decision?
- How do RBC communicate the decision externally and internally?
- How do RBC support the team, students and management during the transition?
- Looking at the context analysis in appendix C, which of the factors are most critical to the company's decision?
- Staying true to RBC's purpose and values (appendix A), what could be other options?
- Based on the "Strategy" mentioned above, what are the biggest challenges ahead?

# Appendix: Company overview

## Company Overview

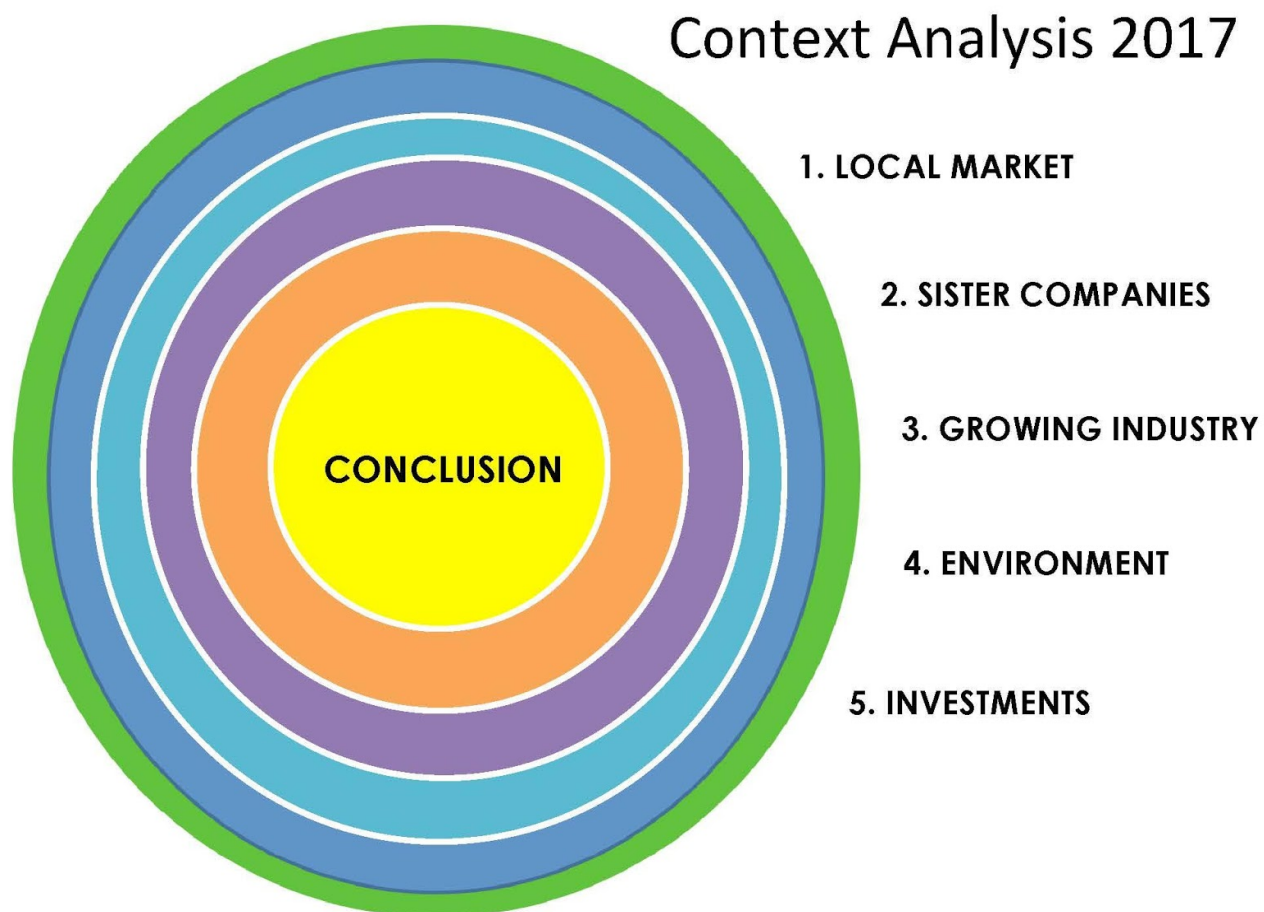


# Appendix B: Organizational chart





## Appendix C: Context analysis



### CHANGING HABITS

In the early years of RBC the guests were mostly young students, who joined rafting and stayed over at the camp to have an adventure on the river, enjoy the clean and beautiful environment together with a professional team. RBC made sure the guests felt welcome to their home by the river.

As the years went by, the same guests returned or recommended their friends and with their increasing age came change of habits. The now professional adults wanted to come to RBC still because of its beauty, the adventure and quality of the team, but now the guests wanted to drink alcohol and party more than joining activities. RBC started also to host their events: Music festivals, company events, and brand launches.

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This meant longer working hours for the RBC team and less time for learning. When interacting with guests the focus was on serving rather than hospitality. The increased consumption, particularly of alcohol at late hours, meant an increase in waste and destruction of the natural environment. Demands from large groups (a group of a hundred people was common, but groups of two hundred people also occurred) to raft at the same time and hung over guests meant RBC was often experienced conflicts in the attempt of keeping the high safety standards.

### 1: LOCAL MARKET

90% of the commercial business. All was either returning or recommended guests.

### OPPORTUNITIES

The RBC has been running internships for international students almost since the beginning with great results and in close cooperation with colleges. For a few years RBC has also been the base of our sister company's educations and programs.

The education-focused programs have very different requirements on RBC than the commercial, including the absolute highest standard of safety on and off the river, requirements regarding food choices, and a focus on teaching and being good role models.

### 2: SISTER COMPANY

Extending our purpose to educating the next generation of outdoor leaders and guides, making the Himalayas our classroom. Here the RBC develops and runs international educations, internships, and courses for colleges and universities around the world.

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These programs are not compatible with the habits of the commercial guests, particularly the late nights, loud music and alcohol consumption. These program offer an opportunity to develop the quality of RBC's apprenticeship education and new opportunities for RBC's former graduates as managers and assistant instructors.

#### LACK OF REGULATIONS

The growth of domestic tourism over the last 10 years, which has been around the river industry, has changed the market completely. The increase has not been followed up by suitable government legislation nor industry regulations. This means that there is no minimum requirement for safety nor environmental protection.

As the expansion is market driven, companies are competing around the lowest price or highest commission for agents.

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This situation and the lack of willingness to implement standards, goes against the efforts by RBC, and other serious companies, who set high standards of safety, both for the operations and for the professionals working here. This high-risk situation is neither good for the industry, the life and opportunities of guides or for the environment.

### 3: GROWING INDUSTRY

When RBC started 12 years ago, it was the only river camp and operator along the Trisuli river, one of a handful in Nepal. The industry has since grown extensively and today there are over 25 operators along the river and hundreds around the country.

#### DESTRUCTION OF NATURE

Despite its riches in biodiversity and cultural diversity, Nepal is a country battling with the challenges of development. It is also country that will face immense challenges due to climate change.

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Due to lack of knowledge on how to do things differently the country is repeating the mistakes of the developed world: Extracting resources without regulation, building fast but poor quality infrastructure, polluting the air, earth, and water, and drastically changing consumption behaviors to shadow those in the developed world. We are also already seeing the first effects of climate change as water resources dry out, changes in seasons, glaciers melt and there is less snow cover. All these aspect are directly impacting on RBC and the community on a daily basis.

### 4: ENVIRONMENT

Its many uniquely different climatic zones across the small land space, makes Nepal one of the world's richest nations in biodiversity. Tourism along with farming are the country's biggest industries, which employ almost the entire population. Both of these are fully dependent on a healthy, vibrant environment.

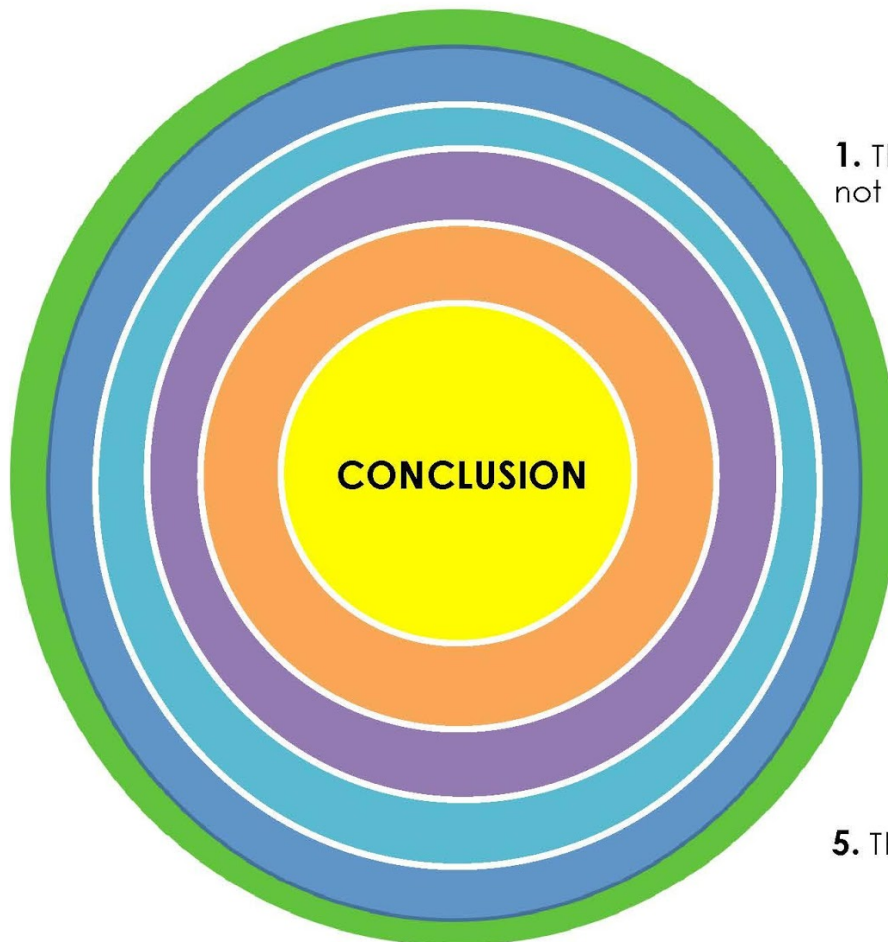


Throughout a company's life, there are a series of investments, particularly if you have buildings and inventory. Another major investment in new structures and up-keeping of current buildings is in the pipeline for RBC.

This situation creates an urgency of the decision asking which path the company should take.

## 5: INVESTMENTS

Improving our environmental standards further, redesigning learning spaces, and building accommodation.



1. The local market's needs do not match our values.
2. There is a potential in the educational path.
3. The trends in the industry do not align with our values, but there is opportunities for us to create a positive impact.
4. We cannot be idle but must be part of a sustainable future.
5. The time for a decision is now.